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Financial reports and audited financial statements, and reports of the Board of Auditors: capital master plan

Implementation of the recommendations of the Board of Auditors contained in its report on the capital master plan for the year ended 31 December 2015

Report of the Secretary-General

Summary

The present report provides information in response to the recommendations of the Board of Auditors as contained in its report on the capital master plan for the year ended 31 December 2015 (A/71/5 (Vol. V)). The report is submitted in accordance with paragraph 7 of General Assembly resolution 48/216 B, in which the Secretary-General was requested to report to the Assembly at the same time as the Board of Auditors submitted its recommendations to the Assembly on measures taken or to be taken to implement those recommendations.

The Administration has accepted all of the Board's recommendations. The present report provides the Administration's comments as well as information on the status of implementation, the department responsible, the estimated completion date and the priority of each recommendation contained in the report of the Board. In addition, the present report contains updated information on the status of implementation of the recommendations of the Board for prior periods that were reported by the Board as not having been fully implemented in annex III to its current report.

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I. Introduction

1. In paragraph 7 of its resolution 48/216 B, the General Assembly requested the Secretary-General to report to it on the measures that would be taken to implement the recommendations of the Board of Auditors at the same time as the reports of the Board were submitted to the Assembly.

2. In paragraph 18 of its resolution 70/239, the General Assembly reiterated its request to the Advisory Committee on Administrative and Budgetary Questions to request the Board of Auditors to continue to report annually on the capital master plan, including the remaining activities of the project, until the final close-out of the accounts. Accordingly, the present report is submitted in response to the recommendations of the Board contained in its report on the capital master plan for the year ended 31 December 2015 (A/71/5 (Vol. V)).

II. Implementation of the recommendations for 2015

Overview

3. Table 1 below provides a summary of the status of implementation of all new recommendations of the Board as of August 2016.

Table 1
Status of implementation of all recommendations

Department responsible	*Number of recommendations*	*Implemented*	*In progress*	*Target date set*	*No target date*
Department of Management	5	2	3	2	1
Total	**5**	**2**	**3**	**2**	**1**
Percentage	100	40	60		

4. As indicated in table 1, two of the five recommendations have been implemented and three recommendations are in progress, of which one is scheduled for implementation by the end of 2016 and one by the end of 2018, and one is of an ongoing nature.

Detailed information on implementation status

5. **In paragraph 17(a) of the summary of its report, the Board recommended that the Administration strengthen the approach to managing the project to completion in 2017 by: (a) updating the anticipated final cost of each subproject; (b) updating the project plan to include all key milestones, project activities and resource requirements; and (c) updating the costed risk register to reflect the current stage of the project.**

Department responsible: Department of Management

Status: Implemented

Priority: High

Target date: Not applicable

6. The Administration has in place detailed matrices for the anticipated final cost, the project schedule with key milestones and the updated risk register, which were shared with the Board.

7. **In paragraph 17(b) of the summary of its report, the Board recommended that the Administration apply newly developed project management guidelines of the Office of Central Support Services to provide assurance over the adequacy of current project management arrangements for the capital master plan.**

Department responsible: Department of Management

Status: Implemented

Priority: High

Target date: Not applicable

8. The Administration is applying the project management guidelines that were issued in 2016 in its day-to-day operations, as applicable to the current close-out phase of the project.

9. **In paragraph 17(c) of the summary of its report, the Board recommended that the Administration focus on realizing the full potential benefits from the investment made in the capital master plan and ensure that optimal use is made of the new modern working environment to reduce the use of costly rented accommodation.**

Department responsible: Department of Management

Status: In progress

Priority: High

Target date: Ongoing

10. The Administration acknowledges the potential benefits and is working to optimize the utilization of the renovated buildings through the implementation of a flexible workplace at United Nations Headquarters.

11. **In paragraph 17(d) of the summary of its report, the Board recommended that the Administration perform a detailed analysis of operational data and building malfunctions to help it develop a strong business case for submission to the General Assembly in support of its proposed annual and longer term maintenance budgets.**

Department responsible: Department of Management

Status: In progress

Priority: High

Target date: Fourth quarter of 2018

12. The Administration is committed to undertaking a detailed assessment of its maintenance approach in support of annual and longer term maintenance budgets.

To this end, there is a need to gather comprehensive operational data and build malfunction data in the plant maintenance module of Umoja for a period of at least 12 months. It is envisaged that the plant maintenance module will be fully operational by January 2017, which will allow the assessment to begin after January 2018.

13. **In paragraph 17(e) of the summary of its report, the Board recommended that the Administration present a preliminary analysis of utilities data following the closure of the North Lawn Building to the General Assembly during the main part of its seventy-first session and a full year's data, ready for audit, during the resumed part of the session.**

Department responsible:	Department of Management
Status:	In progress
Priority:	High
Target date:	Fourth quarter of 2016

14. The Administration will include preliminary analysis data of utilities in the fourteenth annual progress report of the Secretary-General on the capital master plan.

III. Implementation of the recommendations for prior financial periods

Overview

15. In paragraph 9 of its resolution 70/238 A, the General Assembly reiterated its request to the Secretary-General to provide in his reports on the implementation of the recommendations of the Board a full explanation for the delays in the implementation of the recommendations of the Board, in particular those recommendations not yet fully implemented that were two or more years old.

16. The overall status of implementation, as of June 2016, of the recommendations contained in the Board's reports on the capital master plan for the past three years is shown in table 2.

Table 2
Overall status of implementation of the recommendations of the Board of Auditors on the capital master plan for prior periods, as of June 2016

Year/report symbol	*Fully implemented*	*In progress*	*Closed by the Board/ overtaken by events*	*Total*
2012/(A/68/5 (Vol. V))	4	2	3	9
2013/(A/69/5 (Vol. V))	1	2	1	4
2014/(A/70/5 (Vol. V))	1	3	1	5
Total	**6**	**7**	**5**	**18**
Percentage	33	39	28	100

17. In annex III to its report (A/71/5 (Vol. V)), the Board provided a summary of the status of implementation as of June 2016 of its 11 extant recommendations relating to prior periods. Of those recommendations, 3 (27 per cent) had been fully implemented, 7 (64 per cent) were in progress and 1 (9 per cent) had been closed by the Board. Information is provided below on the seven recommendations that were in progress and is set out in the order in which the recommendations were presented in annex III of the Board's report. Table 3 summarizes the overall situation as of August 2016.

Table 3

Status of implementation of recommendations from prior periods considered not fully implemented in annex III to the report of the Board of Auditors on the capital master plan for the year ended 31 December 2015

Department responsible	*Number of recommendations*	*Implemented*	*In progress*	*Target date set*	*No target date*
Department of Management	7	1	6	5	1
Total	**7**	**1**	**6**	**5**	**1**
Percentage	100	14	86		

18. As indicated in table 3, of the seven extant recommendations considered not to be fully implemented by the Board, six remain in progress as of August 2016, of which three are scheduled for implementation by the end of 2016, one by the end of 2017 and one by the end of 2018, and one is of an ongoing nature.

Detailed information on implementation status

Report of the Board for the year ended 31 December 2012

19. **In paragraph 77 of its report for the year ended 31 December 2012 (A/68/5 (Vol. V)), the Board recommended that the Administration adopt a whole life cycle asset investment strategy and assess costed options for the through-life maintenance of the Headquarters buildings.**

Department responsible: Department of Management

Status: In progress

Priority: High

Target date: Fourth quarter of 2017

20. Following the issuance of the report of the Secretary-General on the strategic capital review (A/70/697), which included a comparative analysis of the existing reactive approach versus the life cycle replacement approach to capital maintenance, the General Assembly, in its resolution 70/248 B, requested that more detailed information on the potential costs and benefits of a life cycle replacement approach be presented in future reports of the Secretary-General. Subject to further study, the Administration intends to submit the next such report to the Assembly at its seventy-second session.

21. **In paragraph 82 of its report for the year ended 31 December 2012, the Board recommended that the Office of Central Support Services review its ongoing maintenance contracts, based on an assessment of the total scope of facilities management requirements after completion of the capital master plan, and assess the possibilities for obtaining better value from any future strategic commercial relationship.**

Department responsible:	Department of Management
Status:	In progress
Priority:	Medium
Target date:	Fourth quarter of 2018

22. The Administration notes that this recommendation is similar to the new recommendation in paragraph 17(d) of the summary of the Board's current report (A/71/5 (Vol. V)), in which the Administration has indicated that it will engage in an independent review of maintenance practices by the end of 2017, after 12 months of capturing maintenance data in the plant maintenance module of Umoja.

Report of the Board for the year ended 31 December 2013

23. **In paragraph 25(b) of the summary of its report for the year ended 31 December 2013 (A/69/5 (Vol. V)), the Board recommended that the Administration apply independent project assurance to all major projects. There was no established approach to providing independent project assurance in the United Nations.**

Department responsible:	Department of Management
Status:	Implemented
Priority:	High
Target date:	Not applicable

24. The Administration considers this recommendation as implemented since the area of independent assurance is addressed in the construction project guidelines promulgated by the Office of Central Support Services and would be taken into account in the governance structures of all future major capital projects presented for the consideration and decision of the General Assembly.

25. **In paragraph 25(d) of the summary of its report for the year ended 31 December 2013 (A/69/5 (Vol. V)), the Board recommended that the Administration commit to visible senior management leadership on the flexible workspace project. Experience suggested that, like all change initiatives that had an impact on the day-to-day working environment, senior management leading by example would be vital in gaining staff buy-in and securing the intended benefits.**

Department responsible:	Department of Management
Status:	In progress
Priority:	High
Target date:	Ongoing

26. Through meetings and presentations, the flexible workplace project team has engaged in productive discussions with heads of departments on the way forward with the project implementation. In order to provide visible senior management leadership for the flexible workplace project, in April 2016 the Assistant Secretary-General for Central Support Services held an open and frank town hall discussion on the project with staff members. To demonstrate his leadership by example, the Assistant Secretary-General has committed his office to fully implementing the project. The Assistant Secretary-General is also working closely with other senior managers so that they can be champions of the flexible workplace project.

Report of the Board for the year ended 31 December 2014

27. **In paragraph 17(b) of the summary of its report for the year ended 31 December 2014 (A/70/5 (Vol. V)), the Board recommended that the Administration manage and report that the project's outcomes had been delivered, including financial and non-financial benefits expected and achieved from the investment in the capital master plan.**

Department responsible:	Department of Management
Status:	In progress
Priority:	High
Target date:	Fourth quarter of 2016

28. In the thirteenth annual progress report of the Secretary-General on the capital master plan, the Administration included a comprehensive summary of the project benefits in line with the original project mandate and expected achievements. Additional information will be included in the fourteenth annual progress report of the Secretary-General on the capital master plan that will be submitted to the General Assembly.

29. **In paragraph 17(c) of the summary of its report for the year ended 31 December 2014, the Board recommended that the Administration accelerate closure of the remaining capital master plan contracts to increase certainty regarding final project costs and to release any potential savings.**

Department responsible:	Department of Management
Status:	In progress
Priority:	High
Target date:	Fourth quarter of 2016

30. The Administration is committed to ensuring closure of the remaining contracts within schedule and budget. If any uncommitted balances remain after the closure of all contracts, they will be returned to the Member States.

31. **In paragraph 17(d) of the summary of its report for the year ended 31 December 2014, the Board recommended that the Administration report the full amount of any savings arising from contract closure and introduce appropriate governance mechanisms to determine the use that could be made of such savings, including specific consideration of returning savings to Member States.**

Department responsible:	Department of Management
Status:	In progress
Priority:	High
Target date:	Fourth quarter of 2016

32. Information on savings from the cancellation of prior years' obligations and their utilization is provided on a routine basis and will be included in the fourteenth annual progress report of the Secretary-General on the capital master plan. Savings can only be realized once all the work and related operations have been fully completed, the contracts have been closed and all accounts have been fully reconciled. If any uncommitted balances remain after closure of all contracts, they will be returned to the Member States.